



Department of Justice

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STATEMENT OF THE DEPARTMENT OF JUSTICE ANTITRUST DIVISION
ON ITS DECISION TO CLOSE ITS INVESTIGATION
OF MEDIANEWS GROUP INC.'S ACQUISITION OF
THE CONTRA COSTA TIMES AND SAN JOSE MERCURY NEWS

***Investigation Focused on Whether Combination of Newspapers in the
San Francisco East Bay Area Would Lessen Competition***

WASHINGTON—The Department of Justice's Antitrust Division announced today that it has decided to close its investigation into the proposed acquisition of the *Contra Costa Times* and the *Mercury News* by MediaNews Group Inc. After a careful investigation of MediaNews' proposed acquisition of the *Contra Costa Times* and the *Mercury News* from The McClatchy Company, the Antitrust Division determined that the transaction is not likely to reduce competition substantially.

The Division focused its investigation on the transaction's potential effect on competition in the sale of local daily newspapers and newspaper advertising in Contra Costa and Alameda counties in northern California, often referred to as the "East Bay" region. MediaNews owns several daily newspapers that operate in portions of the East Bay under the name Alameda News Group (ANG)—the *Oakland Tribune*, the *Tri-Valley Herald*, the *Daily Review*, the *Fremont Argus*, and the *San Mateo County Times*. The Division investigated whether the geographic overlap between these groups of papers posed competitive concerns.

In accordance with its Merger Process Review Initiative, the Division asked the parties to focus their initial production of materials on several issues that appeared potentially dispositive, while deferring the need for the parties to respond fully to the request for information. The Division obtained substantial information from MediaNews and McClatchy as well as from third parties. The Division also interviewed more than 80 industry participants, including competing newspaper distributors, advertisers, subscribers, industry experts, and newspaper unions.

Based on its investigation, the Division found that only a relatively small number of readers and advertisers view MediaNews' papers, on the one hand, and the *Contra Costa Times* and *Mercury News*, on the other hand, as substitutes. In this respect, competition among these newspapers in the East Bay is unlike that in other markets where the Department has concluded that newspaper mergers would cause significant competitive harm. For example, on June 27, 2006, the Department required the divestiture of one of the two newspapers in the Minneapolis/St. Paul market that would be owned by the merging firms.

The Division concluded that, following the acquisition, MediaNews will continue to face competition for the sale of newspapers and newspaper advertising in the East Bay from the *San Francisco Chronicle*, which is owned by Hearst Corporation (Hearst) and is not involved in the proposed transaction. In addition, the Division concluded that the transaction would enable MediaNews to achieve large cost savings by combining the production and delivery systems of the *Contra Costa Times* and *Mercury News* with those used by the papers it already owns in the East Bay. These savings—and the parties' inability to achieve them absent the merger—were documented by detailed analyses provided by the parties. These savings will benefit consumers and allow MediaNews' East Bay papers to compete more effectively against the *San Francisco Chronicle* for readers and advertisers.

The Division's investigation did not address the effects of potential future transactions involving MediaNews and Hearst. The Division is aware that Hearst has announced plans to invest in MediaNews—ostensibly limited to its non-California newspapers—and may be considering other collaborative arrangements with MediaNews involving San Francisco area newspapers. If and when any such arrangement is proposed, the Division will investigate whether it would adversely affect competition.

The Division provides this statement under its policy of issuing statements concerning the closing of investigations in appropriate cases. This statement is limited by the Division's obligation to protect the confidentiality of certain information obtained in its investigations. As in most of its investigations, the Division's evaluation has been highly fact-specific, and many of the relevant underlying facts are not public. Consequently, readers should not draw overly broad conclusions regarding how the Division is likely in the future to analyze other collaborations or activities, or transactions involving particular firms. Enforcement decisions are made on a case-by-case basis and the analysis and conclusions discussed in this statement do not bind the Division in any future enforcement actions. Guidance on the Division's policy regarding closing statements is available at: <http://www.usdoj.gov/atr/public/guidelines/201888.htm>.

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